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SENATE BILL 516 – FAVORABLE WITH AMENDMENTS

Cannabis Reform

March 9th, 2023

We applaud the Maryland General Assembly's steadfast commitment to passing meaningful Cannabis reform legislation with the intention of providing a safe and balanced market for consumers and patients that empathizes fairness, accessibility, and social equity. We also specifically acknowledge the commitment and attention provided by the bill sponsors on this

legislation. We remain persistent in doing our part to establish and maintain safe and affordable products to consumers and patients in Maryland.

We are generally in support of the framework of House Bill 556, specifically its desire to emphasize social equity within the marketplace. We believe that a diverse marketplace is helpful to the industry overall. However, we do have suggestions we would like to offer for consideration to the Economic Matters Committee.

Concerns

LICENSE DIVESTMENT- Under Section 36-401(E) of the bill, the maximum number of dispensaries an owner can hold is reduced from 4 to 2. This language will severely delay the rollout of Maryland's adult use program. This significantly limits the ability of all licensees (incumbents and new market entrants) to be commercially successful. It would also encourage current operators with more than two dispensaries to divest the dispensaries located in rural areas of the State that serve lower income patients. If the state is requiring at least 150 owners of the 300 dispensaries, it will be difficult for any companies with exceptional ownership and operations to rise to the top with best business practices. **This should be amended to restore the current cap of four licenses.**

NEW MICRO-DISPENSARY LICENSE/ ICE CREAM TRUCK STYLE DELIVERY- This would enable new specific licensees to deliver products to consumers, and restrict current operators who are already safely delivering cannabis from dispensaries to patients from continuing their delivery operations. This provision, if enacted, would be a big public safety issue. Michigan and California who have implemented similar provisions experienced significant increases in related crime, including robbery of cannabis delivery vehicles. In Michigan the issue is so pervasive the state's cannabis regulatory agency issued official warnings of increased crime perpetrated against cannabis delivery companies. This is not only a threat to personal and public safety, but also a threat to the viability of the broader adult use program. **This form of license should be removed from the bill, and current operators should be permitted to continue their COMAR regulated delivery operations.**

CANOPY CAPS- Section 36-401(C)(1) would cap the maximum annual production for any licensed grower to 300,000 square feet of indoor canopy or its equivalent. If a substantial number of growers produced anywhere near that volume of product, it would saturate the market, and cause excess product to find its way to the illicit market, as is now the case in California, Michigan and other states.

Massachusetts currently has a 100,000 cap for a combined medical/adult use market and it is already in an oversupply situation. **We propose to amend this provision to include a cap of no more than 100K square feet.** Massachusetts is currently struggling with an oversupply issue, driving down prices, and putting cultivators out of business; companies are operating at razor-thin margins, and many can't compete and are forced to shutter business or sell their licenses.

PATIENT HOURS- Section 36-410 requires dispensaries to “SET ASIDE OPERATING HOURS TO SERVE ONLY QUALIFYING PATIENTS AND CAREGIVERS.” The bill should include proven protections for medical patients such as express check in, or dedicated point of sale area. These provisions have worked exceptionally well in other states without requiring a dispensary to be opened additional or different hours with no patients utilizing those hours. **Operators shall be required to ensure patients have dedicated access to their medicine, via dedicated medical-only lines / express check in, instead of dedicated patient hours.**

TRANSFER RESTRICTIONS - Section 36-503(C)(1) states that “A cannabis licensee, including a cannabis licensee whose LICENSE WAS CONVERTED IN ACCORDANCE WITH § 36-401 OF THIS TITLE, MAY NOT TRANSFER OWNERSHIP OR CONTROL OF THE LICENSE FOR A PERIOD OF AT LEAST 5 YEARS FOLLOWING LICENSURE.” The five year restriction in this provision should be set back to three years, as measured from the initial license date, not the date of the converted license issue date. Asking incumbent licensees to wait an initial term of three years under HB2, plus another five years under the current bill is an undue restraint of trade. In addition, this increases the pool of interested investors to a wider set of market participants. **When the current medical licenses are converted to adult use, the five year clock should not reset.**

EXEMPTIONS FOR PENDING TRANSFER REQUESTS – There are several pending transfer requests (including those from Ascend) that may not receive approval from the MMCC at the March meeting, which may be the last MMCC meeting. It is not fair that the transfer requests may be subjected to rule restrictions and procedures from a different agency. **For any pending approvals submitted to the MMCC before March but reviewed by the ATC after the bill passes, the ATC should review the request pursuant to the rules and procedures in effect before the bill’s passage.** See *proposed change on Page 33*.

CONVERSION FEES- The Conversion Fees are set forth in Section 36-403 of the bill. These fees are not reflective of the current nationwide macroeconomic situation for the cannabis industry across the country, nor the current financial reality for most cannabis companies in Maryland. **The State of Maryland is leaving money on the table from larger operators. The Conversion Fees should be lowered and made progressive.** (Example 2.5% of the first \$10 million of revenue, 5% of the next \$10 million, 7.5% of the next \$10 million, 10% of the next \$10 million, 12.5% of the next \$10 million, 15% of the next \$10 million, ect.) Alternatively, Conversion Fees should be set to equal a flat 5% of 2022 gross revenue.